

# Why the time is ripe for tax swaps

With municipal yields rising more than they have in years, investors should be poised to take advantage of a rare opportunity for tax swapping as the fourth quarter gets underway, municipal experts said.



Demand for extra yield will be another key theme in the fourth quarter as investors' expectations have been buoyed by the weakness in Treasuries, according to John Mousseau, president and chief executive officer of Cumberland Advisors.

"We've seen rises in longer-term Treasury yields after three quarters of a year of mostly flattening," he said. On Oct. 2, the 10-year Treasury yielded 3.07%, while the 30-year yielded 3.22% – slightly lower following last month's record-setting weakness.

With ratios of municipals to Treasuries expensive on the shorter end of the yield curve, and cheaper on the long end, Mousseau expects any additional rise in long-term yields will be more muted in municipals than in Treasuries.

The ratios of municipals to Treasuries ranged from as low as 72.5% in one year to 84.6% in 10 years and 100% in 30 years as of Oct. 2, according to Thomson Reuters data.

"We think part of that is the hangover of supply from earlier in the year and the erosion of the buying base in the longer end, between banks and insurance companies buying less," Mousseau said.

If you have a subscription, you can read the full article at [The Bond Buyer website.](#)

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